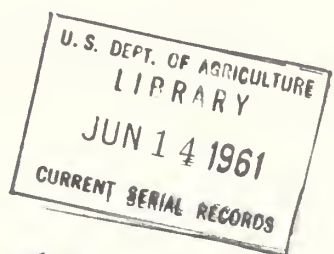


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Prospects for Foreign Trade in

OILSEEDS AND OILSEED PRODUCTS

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
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PROSPECTS FOR FOREIGN TRADE IN OILSEEDS AND OILSEED PRODUCTS

BACKGROUND

World production of fats and oils continues to trend upward, and output in 1961 is about 2 percent higher than last year. More edible vegetable oils and animal fats are being produced. A slight downturn is taking place in the palms, but there is little change in marine and industrial oils.

World production in recent years has been absorbed readily by increasing population; consumption per person has been relatively stable. This year's small increase in output easily will be consumed, so the balance between supply and consumption continues to be precarious.

The United States has been able to expand its production at a faster rate than has the rest of the world, with a 15-percent rise from 1957 to 1961 compared with roughly 5 percent in other countries. In fact, about one-fourth of the world's supplies are now produced in this country and, in recent years, nearly a third of the oilseeds and fats and oils moving in world trade have come from here. Importing countries increasingly rely on the United States to provide them with such commodities as soybeans, oilseed meals, edible vegetable oils, and slaughter fats.

Table 1.—Fats and Oils: Estimated world production and U.S. share, annual 1957-60, forecast 1961 ^{1/}

Item	1957	1958	1959	1960	Forecast 1961
	<u>1,000 s.t.</u>	<u>1,000 s.t.</u>	<u>1,000 s.t.</u>	<u>1,000 s.t.</u>	<u>1,000 s.t.</u>
Edible vegetable oils ^{2/}	11,735	11,830	13,095	12,801	13,290
Butter (fat content).	4,050	4,130	4,090	4,250	4,300
Lard ^{3/}	3,685	3,865	4,205	4,300	4,500
Palm oils ^{4/}	4,291	4,116	3,926	4,101	4,040
Industrial oils ^{5/}	1,825	1,504	1,532	1,479	1,460
Tallow and greases	3,215	3,215	3,410	3,520	3,600
Marine oils ^{6/}	1,035	1,040	1,065	1,035	1,040
World total	29,836	29,700	31,323	31,495	32,230
U.S. production	7,142	7,010	7,965	8,070	8,252
U.S. as a percentage of world . . .	<u>Percent</u> 24	<u>Percent</u> 24	<u>Percent</u> 25	<u>Percent</u> 26	<u>Percent</u> 26

^{1/} The years indicated are those in which predominant share of oil or fat was produced from its related raw material. ^{2/} Includes cottonseed, peanut, soybean, sunflowerseed, rapeseed, sesame, and olive oils. ^{3/} Rendered lard only in most countries. ^{4/} Includes coconut, palm kernel, palm, and babassu oils. ^{5/} Includes linseed, castor, oiticica, tung, and perilla oils. ^{6/} Includes whale, sperm whale, and fish oils including fish liver oils.

CURRENT WORLD SITUATION

Foreign exportable supplies of fats, oils, and oilseeds in 1960-61 are somewhat smaller than last year. Major changes are reduced exports of soybeans and edible oils from Communist China and larger shipments of peanuts from West Africa, edible oil from Argentina, and rapeseed from Canada.

Table 2.—Fats and Oils: Exports of selected fats and oils, annual 1957-60, forecast 1961

Item	1957	1958	1959	Preliminary 1960	Forecast 1961	1961 change from 1960
	1,000 s.t.	1,000 s.t.	1,000 s.t.	1,000 s.t.	1,000 s.t.	1,000 s.t.
United States: <u>1/</u>						
Lard.	295	231	304	358	275	-83
Tallow and grease	713	554	656	859	835	-24
Fish and marine oils	68	31	76	76	70	- 6
Soybean and cottonseed oils	615	526	672	728	750	+22
Soybeans (oil basis).	469	470	605	777	777	0
Butter (fat content):						
Australia	57	57	72	58	65	+ 7
New Zealand	133	161	174	150	165	+15
Palm oil:						
Republic of the Congo.	169	180	202	170	150	-20
Nigeria	186	191	206	205	205	0
Malaya	68	89	87	100	110	+10
Indonesia	142	145	114	120	120	0
Palm kernels and oils:						
Republic of the Congo.	75	83	87	70	60	-10
Nigeria	209	222	217	200	200	0
Former French West Africa	39	49	44	45	45	0
Copra, coconut oil:						
Philippines	826	<u>1/</u> 719	<u>1/</u> 549	<u>1/</u> 708	same	None.
Indonesia	244	219	133	134		
Others.	417	364	380	372		
Fish oil:						
Peru.	5	2	19	38	60	+22
Union of South Africa	11	18	26	25	25	0
Edible vegetable oils:						
China <u>2/</u>	330	405	460	<u>1/</u> 400	<u>1/</u> 95	Down.
Argentina <u>3/</u>	61	113	<u>1/</u> 40	<u>1/</u> 57		
India <u>1/</u> , <u>4/</u>	4	3	22	32		
Canada <u>1/</u> , <u>5/</u>	37	56	51	26		
Nigeria <u>1/</u> , <u>6/</u>	210	252	327	217		
Former French West Africa <u>6/</u>	278	329	297	285		

1/ Crop year ending September 30 in year shown. 2/ Includes oil equivalent of soybeans, peanuts and other oilseeds plus exports of edible vegetable oils. 3/ Includes peanut, sunflower seed, cottonseed and olive oils. 4/ Peanut oil. 5/ Rapeseed and oil, oil basis. 6/ Peanuts and peanut oil, oil basis.

Sino-Soviet Bloc

While reports out of Communist China state that 1960 was one of the worst agricultural years that that country has experienced in a century, there is a good possibility that production of oilseeds may not have varied greatly from the year before.

Shantung, the major peanut producing and exporting Province, was hurt badly by insects, typhoons, drought, and so forth, but this may have been offset by an expansion in the country's total acreage planted to peanuts. There are reports that drought and floods in the northeast (formerly Manchuria) might have affected soybean production but probably not to a great extent.

About one-third of China's soybean crop is grown in the Manchurian region and nearly all exports come from that area. Even when production in other parts of China declines, exports from the surplus producing Manchurian area can be continued at about the same level. Ordinarily, there is little movement of beans from Manchuria to other regions of China but this year may be an exception; the sharply reduced movement of Chinese soybeans through the Suez Canal so far this marketing year may reflect severe food shortages in that country which are compelling diversion of some of the exportable Manchurian crop to other parts of China.

Table 3.—Soybeans: Northbound movement through the Suez Canal, 1955 and 1957-60 1/

Period	Year beginning October 1				
	1955	1957	1958	1959	1960
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
October-February	5.7	3.3	11.2	17.9	6.0
March-September	11.2	14.0	19.0	16.1	
October-September	16.9	17.3	30.2	34.0	

1/ Practically all from Communist China.

Nearly all of China's soybeans transiting the Canal go to Western and Eastern Europe. Usually about 10 percent or less of the Chinese beans moving to the USSR come through the Suez Canal — the remainder move overland, mainly for processing in Siberia and European Russia.

An increasing percentage of Communist China's soybeans are moving to Western Europe. Approximately 30 percent of the 59 million bushels exported in calendar 1959 went there compared with 20 percent of a much smaller total the year before. This expansion mainly reflected the elimination of exports to Japan. (Trade between Communist China and Japan was terminated in the spring of 1958.) Incomplete data suggest that Western Europe's share continued upward in 1960 as shipments to the Soviet Bloc declined sharply.

Table 4.—Soybeans: Chinese exports, by area and country, annual 1955 and 1958-60

Destination	1955	1958	1959	1960 <u>1/</u>	1955	1958	1959	1960
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Per cent</u>	<u>Per cent</u>	<u>Per cent</u>	<u>Per cent</u>
Western Europe	5.3	8.7	18.2	22	13	20	30	49
Soviet Eastern Europe.	9	11.8	16.4) 22	22	28	28) 49
Soviet Union	17.8	17.6	23.5		42	41	40	
Japan.	7.7	3.3	---	<u>2/</u>	18	8	---	---
Other countries	2	1.2	1.2	<u>1</u>	5	3	2	2
Total	42.0	42.6	59.3	45	100	100	100	100

1/ Partly estimated except for Western Europe and Japan.

2/ 5,400 bushels.

In addition to soybeans, Communist China exports a substantial quantity of edible vegetable oils and oilseeds. These averaged 175,000 short tons, oil basis, annually in 1957-59. Such exports probably declined in 1960 and likely are dropping even more in 1961.

As far as can be determined, per capita consumption of fats and oils is at a low level in Communist China and rationing has been in effect for many years. There is no slack that can be taken up in a year such as the current one when food supplies are tight. While reports out of China place the blame on "natural calamities," it is likely that these were accentuated by government policies, such as the commune system, the organized destruction of insect-eating birds, and the continual failure to make the large capital investments in agriculture that are necessary if efficiency and production are to be increased. Also, China's population explosion puts rising pressure on the country's food supplies.

In the USSR, a probable decline in imports from China will be offset by larger domestic supplies. About 50,000 short tons more animal fats are being produced, and the 1960 sunflower and cottonseed crops are yielding about 160,000 tons more oil. The sunflower crop, at 4.2 million short tons, is 26 percent larger than the one harvested in 1959, while cottonseed production is about 5 percent smaller. Production of vegetable oil this year, however, probably will not increase as much as indicated by the change in the crops because there probably was only a small carryin of seed at the beginning of the current marketing year in contrast to what was probably a large carryin available for crushing in 1959-60. The large stocks on hand at the beginning of the 1959-60 marketing year reflect the record 5.1-million-short-ton sunflower crop harvested in the fall of 1958.

Eastern Europe is being affected by the reduced availabilities of Chinese soybeans as indicated by reports that East Germany and others are purchasing edible oils from the Free World.

Recently the USSR and a Soviet Bloc country purchased a total of about 50,000 metric tons of peanuts from Mali. This purchase by the Russians was more than a stopgap action, as a trade agreement with Mali was announced in March 1961 under which Russia will receive agricultural commodities, including peanuts, and handicraft products. As a whole, the Soviet-Sino Bloc's net export balance in oilseeds and products will be less than last year.

Palm-Oil Exporters

Exports of palm oils in 1960-61 are expected to be fractionally lower than the year before, with about the same amount of coconut oil but slightly less palm and palm kernel oil. In 1959-60, exports of copra and coconut oil from the Philippines recovered sharply from the relatively low level of 1958-59 and are likely to continue large this year.

This recovery has been accompanied by a precipitous drop in prices. Coconut oil in April 1961 was selling for 25 percent less than in April 1960 and was the lowest since July 1957. This is in strong contrast to the appreciable rise in prices of edible vegetable oils in recent months.

Exports of palm oil and palm kernel oil are lower because of reduced movement from the Congo. In that country, in even relatively secure areas, the export movement is being hindered by transportation difficulties, such as lack of parts for vehicles.

Marine-Oil Exporters

Peru rapidly has been attaining a position of prominence as an exporter of fish oil and fish meal. Exports of these commodities are expected to continue upward in 1961. Little change is likely in exports of fish oils from the United States and the Union of South Africa, other major sources of supply. Norway historically was a net exporter of fish oils, but extremely poor fishing seasons in recent years have been reflected in net import balances. Last year's catch was the smallest in the postwar period, and indications are that 1961 will be another bad year for that country. Hence, Norway will continue to absorb world exportable supplies which would otherwise be available to other importing countries.

Table 5.—Prices of selected oils and soybeans, c.i.f. European ports, 1955-61

Period	Soybean oil, American crude, bulk	Cottonseed oil, American BPSY, bulk	Peanut oil, Br. W. African crude, bulk	Coconut oil, Straits 3-1/2%, bulk	Soybeans, American No. 2 yellow, bulk	Soybeans, Chinese yellow, bulk
	Cents per pound	Cents per pound	Cents per pound	Cents per pound	Dollars per bushel	Dollars per bushel
1955.	13.3	12.9	13.1	11.5	3.03	3.13
1956.	15.4	16.6	16.7	11.5	3.14	3.10
1957.	13.9	15.9	16.5	11.7	2.88	---
1958.	11.8	<u>1/</u> 13.2	12.6	13.7	2.57	2.48
1959.	10.5	11.6	13.7	16.8	2.55	2.49
1960.	10.1	10.7	14.8	13.6	2.50	2.46
1959-60. . .						
Oct.-Dec.	9.6	10.4	13.2	16.7	2.55	2.49
Jan.-Mar.	9.2	10.3	15.3	16.4	2.51	2.48
Apr.-Jun.	9.5	10.8	15.2	14.2	2.51	<u>2/</u> 2.50
Jul.-Sept	10.5	<u>2/</u> 10.5	15.1	12.3	2.50	2.46
1960-61. . .						
Oct.-Dec.	11.4	11.0	13.8	11.7	2.47	<u>2/</u> 2.42
Jan.-Mar.	13.4	13.2	16.0	11.7	3.04	---
April . . .	14.7	15.9	16.6	11.3	3.50	---

1/ Six-month average.2/ Two-month average.Table 6.—Prices of selected meals, c.i.f. European ports
and U.S. soybean meal Decatur, 1955-61

Period	c.i.f., European ports			Decatur
	Peanut meal Nigerian 56%, bagged <u>1/</u>	Linseed meal Argentine 39%, bagged <u>1/</u>	Soybean meal Canadian 45%, bagged <u>1/</u>	Soybean meal 44%, bulk <u>2/</u>
	U.S. dol. per short ton	U.S. dol. per short ton	U.S. dol. per short ton	U.S. dol. per short ton
1955.	101.89	94.75	92.73	56.87
1956.	99.40	95.48	89.41	51.29
1957.	90.08	77.57	81.63	47.06
1958.	78.97	68.36	85.08	55.96
1959.	91.67	88.38	85.78	56.45
1960.	88.87	79.52	82.17	53.13
1959-60:				
October-December	95.89	96.71	87.81	57.93
January-March	86.38	83.07	86.90	58.28
April-June.	88.89	80.50	82.13	54.40
July-September	93.61	80.72	81.49	51.60
1960-61:				
October-December	86.59	73.81	78.18	48.23
January-March	83.92	71.86	87.82	60.43
April	81.50	72.47	97.30	76.00

1/ Average prices, largely bagged.2/ Unrestricted.

Little change in production and trade of whale oils is taking place this year. As of the latter part of April, approximately 220,000 metric tons had been sold at a price of nearly \$206 per ton, or about \$3 per ton more than obtained for a roughly comparable quantity last year.

Canada

Canada's 1960 rapeseed crop reached a record level of about 275,000 short tons — about three times as much as was produced in 1959. Export availabilities are approximately 75,000 tons, oil basis, or about 50,000 more than exports in 1959-60. Exports in October 1960-February 1961 totaled 44,000 short tons, oil basis. Most of the seed is moving to Italy, France, and Japan.

Argentina

Exports of edible oils from Argentina in October 1960-September 1961 are estimated at 95,000 short tons compared with 57,000 the year before. Exports through mid-April 1961 already were about 7,000 tons greater than the total shipped out in the preceding 12-month period. The competitive position of Argentine edible oils was strengthened by the removal last August of taxes on exports. Rising world prices for edible vegetable oils also are encouraging this movement into world trade. Argentine sunflowerseed oil in April 1961 was selling for 14.5 cents per pound, c.i.f. European ports, 3 cents more than last year and the most since January 1958.

Shipments in April-September 1961 probably will not be as large as the heavy movement of a year ago when practically all of the 1959-60 total went out. This decline would reflect a 15 percent (40,000 tons) reduction in production of edible oil, as a sharp drop in sunflowerseed oil will more than counterbalance an increase in cottonseed and possibly peanut oil. The crops producing these oils are harvested in March-April.

India

Production of peanuts in India in 1960-61 is slightly smaller than the year before. India has not been an important exporter of peanut oil or peanuts for crushing since 1955 when large quantities moved abroad. While production of oilseeds in India has increased, rising population and expanding incomes have enabled the domestic market to readily absorb the larger supplies. The Indian Government in an effort to earn much-needed foreign exchange has attempted to encourage exports of oil by permitting exports of expeller peanut cake as well as imports of copra and palm oil only when they are tied to exports of peanut oil. (Most of India's peanut meal exports are solvent extracted and are not linked to oil exports.) However, price relations between the commodities involved have not been such as to result in exports of sizable quantities of peanut oil. This situation is likely to continue.

Nigeria

The Nigerian peanut crop that was harvested last fall is expected to yield about 90,000 short tons more oil than the one produced in 1959. The crop, however, is moving slowly to market and, as of mid-March, the movement to port was about the same as a year earlier. Consequently, while there will be a heavier movement into export through the rest of the marketing year, a sizable quantity will be carried over in Nigeria beyond September 30, 1961, (which is the end of the U.S. marketing year for fats and oils). Exports during October 1960-September 1961 probably will be about 70,000 tons, oils basis, more than a year earlier.

The Nigerian Marketing Board, the sole exporting agency, has maintained a selling price of \$223 per metric ton, c.i.f. European ports, since early in March. This is about \$15 per ton more than in April 1960 and is the highest since February 1957. Buyers apparently have not been eager to purchase at this price. Some resales have taken place at prices ranging from \$205 to over \$220 per metric ton. The resale price in the latter part of April was \$212.

Senegal, Mali, Niger

Exportable supplies of peanuts from the crops harvested last fall in Senegal, Mali and the Niger (the major peanut exporting countries of what was formerly French West Africa) are estimated to be about 40,000 short tons, oil basis, more than was available from the previous crops.

The movement from Senegal, by far the major producer and exporter, has been slow so far this year. About 80 percent of the nearly 1.3 million short tons of unshelled peanuts harvested in these three countries last fall was grown in the Senegal. Usually, most of the peanuts and oil exported from these countries go to France and nearly all of the remainder is taken by other West European countries. This year, however, most of the increase in supply will not be available for Western Europe because of the purchases from Mali of 50,000 tons of peanuts by the Communist Bloc. (The recently signed trade agreement between the USSR and Mali presages a change in the direction of Mali's trade in oilseeds.) This 50,000 tons plus a small quantity sold to France constitutes most of the exportable supply in Mali. The export movement from Mali will be hindered by transportation difficulties growing out of a shift from moving peanuts by rail to Dakar in Senegal to trucking them over poor roads to rail connections for Abidjan in the Ivory Coast and Conakry in Guinea. The switch reflects the dissolution last August of the federation between the two countries.

Western Europe

It appears that supplies available to Western Europe, the major importing region, from countries other than the United States are somewhat smaller than in 1959-60, primarily because of reduced exports of soybeans from Communist China. Also, U.S. exports of lard to this region, mainly to the United Kingdom, are substantially lower than last year.

These reductions are offset by increasing consumption of butter, drawing mainly on stocks, and larger supplies of domestically produced slaughter fats. In addition, current price levels probably are encouraging reductions in stocks wherever possible.

Production of olive oil in the Mediterranean Basin is estimated at nearly 1.2 million short tons, 8 percent less than last year but the same as 2 years ago. Major reductions in Spain and Greece were not offset by a sharp rise in Tunisian output. Total supplies of olive oil, however, are about the same as last year because lower production is counterbalanced by larger stocks on hand at the beginning of the year. Some increase in imports of edible vegetable oils is likely.

OUTLOOK FOR U.S. EXPORTS

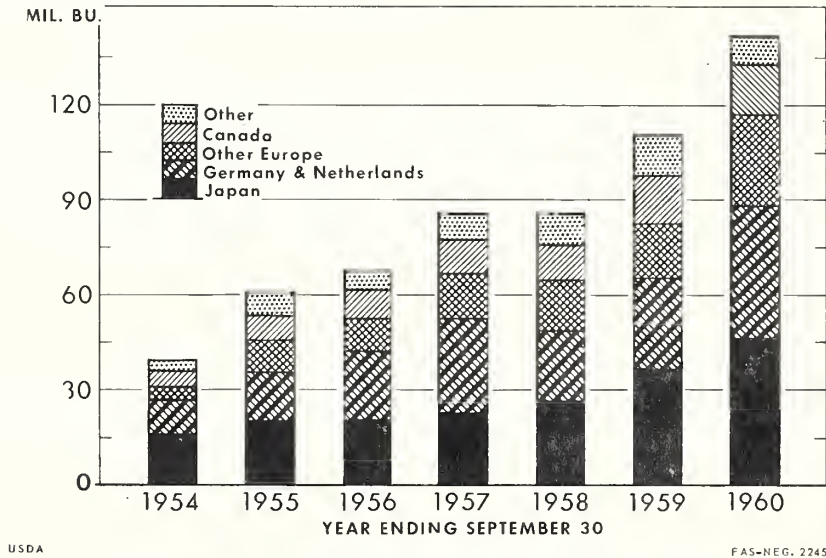
Soybeans

Exports of soybeans from the United States in the marketing year which began on October 1, 1960, are not expected to differ greatly from last year's record level of 141 million bushels, mainly because relatively tight supplies in the United States are being reflected in prices which are limiting their movement abroad. In April 1961, U.S. soybeans at European ports were quoted as \$3.50 per bushel, nearly 40 percent more than a year ago and the highest since May 1956. More would move aboard if they were available because of reduced supplies from Communist China this year. There have been no price quotations for Chinese soybeans since last November. Apparently, the movement of Chinese soybeans that has taken place since then largely has been the result of purchases made early in the current marketing year.

Through April, inspections of U.S. soybeans for export were 11 million bushels greater than in the comparable period a year earlier. Most of the increase is in the movement to Western Europe, although Japan and Taiwan also are taking more. If total exports for the marketing year are to approximate last year's, then exports in May-September 1961 will have to fall below the level of the year before. Such reduction is likely to be in sales to Europe, as Japan and

Taiwan probably will increase their purchases over last year. In Japan and Taiwan, soybeans provide an important share of the protein consumed by the people. Consequently, they cannot shift as readily to other oilseeds as can Europeans, who use soybean meal for animal feed. This higher value use would enable them to outbid the European processors. Also, the Japanese soon will remove their restrictive import quota on U.S. soybeans, providing additional opportunities for exports.

Soaring U. S. Soybean Exports Reflect Expanding Use in Major Markets



Cottonseed and Soybean Oils

The United States is expected to ship abroad about 1,500 million pounds of cottonseed and soybean oils in October 1960-September 1961, compared with the previous high of 1,456 million established last year.

Exports of the two oils in 1959-60 were about equally divided between sales for dollars and shipments under government programs. This was in sharp contrast to the movement in the 1957 and 1958 marketing years when only 29 percent of the exports consisted of sales for dollars.

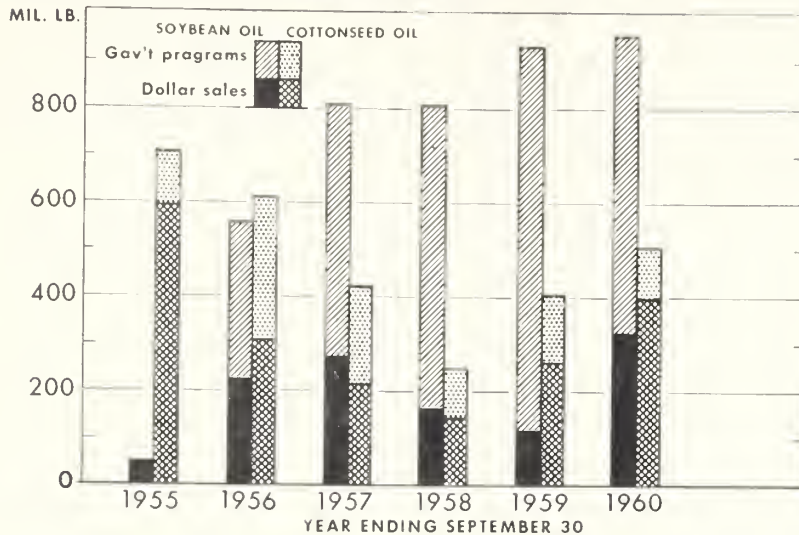
A further expansion in sales for dollars is taking place and over half the oil moving out in 1960-61 will fall within this category. Eastern Europe has been buying some oil directly and indirectly from the United States, apparently reflecting the reduced movement of Communist Chinese soybeans to this area. The improvement in the Spanish economy and increasing quantities of foreign exchange earned by exports of olive oil are enabling that country to expand its dollar purchases of U.S. edible oil. In fact, Spain will buy more oil from the United States for dollars than it will receive under U.S. Government programs.

Spain still continues to be the major recipient of edible oil under government programs, followed by Pakistan, where a large increase is expected, Yugoslavia, Poland, Greece, Egypt, and Israel.

Oilseed Meals

U.S. exports of oilseed meal in October 1960-September 1961 are likely to be 25 percent to 30 percent below the record 867,000 short tons that moved abroad last year, but still will be more than in most previous years. Greater supplies of meal from fish, African peanuts, and

U. S. Edible Oil Exports Reach Record As Dollar Sales Expand Sharply



Canadian rapeseed and flaxseed are not likely to offset drastically lower quantities from Communist Chinese soybeans. This plus greater use in feeding hogs and poultry will tend to support U.S. exports.

Exports to Canada, our most important single market, are holding up relatively well because of higher hog numbers, but Western Europe is taking much less. In Western Europe reduced feeding of oilseed meal to dairy cows will more than offset greater consumption by hogs and poultry and smaller supplies of protein meal from countries other than the United States.

About 60 to 80 percent of the oilseed meal consumed in Europe is fed directly to dairy cattle — 70 to 80 percent is so consumed in Germany, Denmark, Benelux, France, and the United Kingdom. ^{1/} Cattle numbers are up, but farmers are keeping out-of-pocket costs to a minimum because prices of dairy products are lower than last year. There are bumper forage and feed grain supplies, and a mild winter and early spring have enabled cows to be on pasture for a longer period than usual. Northwest Europe uses large quantities of clover and alfalfa, which are relatively high in protein. In contrast, drought in the summer of 1959 cut the pasture season and forage and feed supplies, resulting in a longer barn-feeding season and the need to feed more protein meal.

While consumption of oilseed meals by hogs and poultry in Western Europe is not as important as is use by dairy cows, it is expanding rapidly. In contrast to dairy cows, hogs and poultry consume oilseed meal mainly via mixed feeds. Higher incomes in Europe are being reflected in rising demand for animal products. This, in turn, is encouraging the expansion of the mixed feed industry because of a growing appreciation of the value of nutritionally balanced rations and the realization that this can best be provided on a commercial basis.

Price trends in the United States and Western Europe since early last fall have not been encouraging exports of U.S. oilseed meals. While in April 1961, prices of U.S. soybean meal rose 70 percent from a 3-year low in November 1960 to the highest level since August 1954, export prices of competitive peanut and linseed meal have declined or remained relatively

^{1/} The World Oilcake Economy and Its Relation to Fish Meal, by Ulrich Landmann, Food and Agriculture Organization of the United Nations, February 1961.

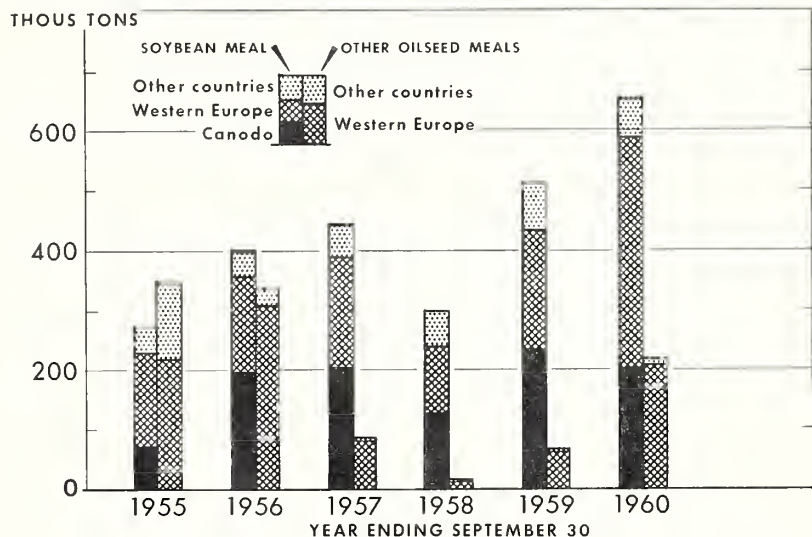
stable. Current prices for these meals are well below last year's levels. Prices of fishmeal have increased, but not as much as those for soybean meal. Peruvian fishmeal in Europe in April 1961 sold for approximately 20 percent more than in November 1960, 7 percent more than the year before, but still far below 1958 and 1959.

Fish meal is used mainly for poultry and hog rations and is highly competitive with soybean meal. World exports of fish meal have been expanding sharply, mainly reflecting increasing supplies from Peru. Exports from Peru rose from about 30,000 short tons in 1956 to 560,000 tons in 1960 and a further expansion is likely in 1961.

At a meeting of the world's principal fish meal producers in Paris last October (Peru was represented by observers only) it was determined that world fish meal exports in 1961 should be roughly 1.1 million short tons compared with an estimated 1 million in 1960 and 789,000 tons in 1959. Peru's suggested allocation was 660,000 tons, a volume which proved acceptable to Peruvian producers.

Production of fish meal in Peru was given additional upward impetus by the repeal in October 1959 of a law which since 1956 had prohibited the expansion of existing fish meal plants or the establishment of new ones. This prohibition has been in effect while the government determined that there were sufficient anchovies in the waters off Peru to provide the raw material for an expanding fish meal industry as well as sufficient food for the Guano birds, whose droppings are an important source of fertilizer for Peru.

U. S. Oilseed Meal Exports Set Record 1960; Decline Likely in 1961



USDA

FAS-NEG. 2246

Flaxseed and Linseed Oil

World production of flaxseed in 1960, which will be marketed mainly in 1961, totaled about 130 million bushels, or 8 million more than in 1959. The United States and Canada accounted for practically all of the increase, offsetting reduced output in Argentina. World production in 1956-60, averaged 135 million bushels annually, 22 percent more than in 1950-54 but the same as in 1935-39. Output in the United States and Canada has increased since 1935-39 but has declined in Argentina, Uruguay, and India.

Argentina, the leading exporter, produces flaxseed primarily for export. During the early 1950's, production dropped to the lowest level since the turn of the century, except for the short

crop of 1916. Since 1955, new government policies have been reflected in increased output, but production still is less than half the 1935-39 average. Flaxseed acreage will not vary much in the near future despite higher price supports (\$2.12 per bushel for 1961-62 compared to \$1.85 in 1960-61 and \$1.54 per bushel for the 1959-60 crop) because livestock and wheat are highly competitive alternative land uses. Production will depend mainly upon the vagaries of weather. While the 1960-61 flaxseed crop was one-third lower than the year before, carryin stocks were higher and total supplies of flaxseed and linseed oil as of December 1, 1960 (the beginning of their marketing year), were almost 37 million bushels — only 2 million bushels, seed basis, less than the large supply of the year before. Taxes on exports have been lowered from 20 percent to 10 percent, increasing the commodity's competitive position. Exports in 1960-61 will be well above the 20 million bushels, seed basis, of last year and perhaps as much as the 29 million bushels of 1953-54.

Canada's total flaxseed supply on August 1, 1960, the beginning of the marketing year, was 29.8 million bushels, the highest since 1956-57. Exports in 1960-61 are estimated at 17 million bushels — also the highest since 1956-57. Production has trended upward in the past two to three decades, rising from an annual average of less than 2 million bushels in 1935-39 to 9 million in 1950-54 and a record 35 million in 1956. Production in 1960 totaled 25 million, the highest since 1956. Intentions to plant as of March 1, 1961, indicate a further increase in acreage. Plantings and production, however, may be adversely affected by the present moisture deficiency in the soil. Flaxseed appears to be a favorable alternative to wheat in the Prairie Provinces, provided its price is over 2 times the wheat price. This appears to be the current relationship. World wheat prices have trended downward for many years, and the government is encouraging the planting of flaxseed and other oilseeds as alternatives to wheat even though wheat stocks will be reduced by large sales to Communist countries.

In India, except for a short crop in 1958, production of flaxseed has fluctuated within a narrow range since 1953 — 15 million to 18 million bushels. India has declined in importance as an exporter and, since 1956, exports of linseed oil have ranged from 1 million to 3 million bushels, flaxseed basis. Declining exports reflect rising domestic demand for edible oils and the mixing of linseed oil with edible oils. Expanding population and rising incomes will keep demand for edible oil strong in India, and the domestic trade will tend to outbid the export market for India's linseed oil.

The United States produced 31 million bushels of flaxseed in 1960, up 9 million from the short 1959 crop but nearly one-sixth below the 1950-54 average. Supplies on July 1, 1960, however, were 3 million less than the previous year because of reduced carryin stocks. As of March 1, 1961, farmers indicated that they intend to plant 3.2 million acres this year. If realized, this would be the lowest acreage since 1946. Actual plantings may be greater than the March intentions because the 1961 support price of \$2.80 per bushel, 42 cents more than in 1960, was not announced until March 23. Production has trended downward for a number of years because of declining prices and sharp fluctuations in yields. Exportable supplies, however, have increased, reflecting a steady decline in linseed oil usage. Consumption of linseed oil in 1960 was the lowest since 1932, despite the tremendous growth in the U.S. economy over the past three decades. Synthetic products are increasingly displacing linseed oil.

Total exports of flaxseed and the seed equivalent of linseed oil to foreign countries from all sources averaged 51 million bushels annually in 1956-60, compared to 55 million in 1935-39. Western Europe took 45 million bushels annually in 1956-60 compared with 62 million in 1935-39, indicating that world demand has declined sharply. Some expanding economies in Latin America, Asia, and Africa which do not have such developed chemical industries will perhaps use more linseed oil. Long-run prospects for linseed oil are not favorable in most highly developed consuming countries.

BUILDING WORLD MARKETS

The U.S. Government, in cooperation with the trade, continues its efforts to expand and improve the large export trade in U.S. oilseeds and oilseed products. Among these efforts are

Table 7.—Flaxseed (including flaxseed equivalent of linseed oil): World exports by areas, and U.S. share, annual 1956-60

Area	1956	1957	1958	1959	1960 ^{1/}
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
Foreign exporting areas:					
Non-Communist:					
Argentina	8	16	19	25	20
Canada	13	22	15	13	15
India	5	2	3	2	1
Uruguay	2	3	2	2	2
Others	2	1	2	2	1
Total	30	44	41	44	39
Communist countries	1	1	1	1	1
United States	13	17	5	9	7
World total	44	62	47	54	47
U.S. percent of world	<u>Percent</u> 29	<u>Percent</u> 27	<u>Percent</u> 11	<u>Percent</u> 17	<u>Percent</u> 15

^{1/} Partly estimated.

Table 8.—Prices of flaxseed and linseed oil at selected markets, 1956-61

Period	Flaxseed		Linseed oil	
	Minneapolis basis No. 1	Winnipeg ^{1/}	Minneapolis tank carlots	Argentine bulk, c.i.f. Europe
	<u>U.S. dol. per bu.</u>	<u>U.S. dol. per bu.</u>	<u>U.S. cents per lb.</u>	<u>U.S. cents per lb.</u>
1956.	3.46	3.69	14.1	14.9
1957.	3.27	2.98	13.6	12.2
1958.	3.07	3.15	13.8	12.0
1959.	3.23	3.38	13.1	11.2
1960.	3.14	3.21	13.1	11.5
1959-60:				
July-September	3.22	3.40	12.8	^{2/} 11.5
October-December	3.70	3.85	14.2	12.4
January-March	3.38	3.35	13.8	11.3
April-June	3.33	3.34	13.2	12.1
1960-61:				
July-September	3.03	3.25	12.9	---
October-December.	2.81	2.89	12.4	^{2/} 10.9
January-March	2.98	3.08	12.9	12.1
Early April	3.10	3.22	13.1	12.9

^{1/} Winnipeg Grain Exchange, cash prices, basis No. 1, in store Fort William/Port Arthur.

^{2/} Two-month average.

surveys, and analyses of foreign markets and market opportunities, special promotional activities, the analysis and dissemination of information, and moves to reduce barriers to trade.

Marketing Surveys and Analyses

During 1960 the Foreign Agricultural Service began intensive analysis of the world market on a country-by-country basis. The results of these analyses will be published for the information and use of the trade and also will afford an improved basis for the further development of marketing operations conducted throughout the world by the Soybean Council of America and the American Soybean Association. Basic market data concerning all aspects of oilseeds and oilseed products will be supplemented by staff investigations in each country. This information will aid the U.S. oilseeds and oilseed products industry in making decisions as to the potentialities of a given market and the degree to which the industry may wish to undertake a marketing effort.

The first of these surveys was conducted in the U.A.R. (Egypt and Syria). ^{2/} This country was selected because U.S. industry knows less about it than many others with which private trade has been well established. One of the objectives of the country market analysis work is to supply the U.S. trade with information about countries which may become markets. Notable examples of recent developments of this sort are Japan, the industrial countries of Western Europe, and, more recently, Spain. Except for Spain, these countries are now independent of direct U.S. assistance and economic aid. They are dollar markets for U.S.-produced oilseeds and oilseed products.

It is believed that various "underdeveloped" countries similarly will emerge as dollar markets of the future. Work on country market analysis for Pakistan, Iran, Yugoslavia, and Turkey will be completed as rapidly as possible. High in priority is an analysis of the Asian market for the whole soybean mainly as a source of protein in human diets. As a result of previous extensive surveys and information made available to the industry, there has been established a substantial new export of identity-preserved varieties of soybeans most suitable for traditional direct use in foods in Japan. It is believed the intended survey will indicate substantial marketing opportunities in other countries of Asia.

Promotional Activities

During 1960 the Foreign Agricultural Service entered into an agreement with the Soybean Council providing for market development and promotional activities in 49 countries around the world. The Soybean Council has established foreign offices for intensive work in Belgium, Peru, Denmark, Egypt, Germany, India, Iran, Israel, Italy, Netherlands, Pakistan, Spain, and Turkey. Offices will be established in additional countries during the latter half of 1961. Work is being initiated in the new offices on the basis of experience gained since 1957, during which time intensive operations have been conducted by the Soybean Council in Israel, Germany, Italy, Spain, and Egypt. The result of the work in those countries has attracted worldwide industry attention. Assistance given foreign industry in promotional and marketing work in those countries has proved to be of great mutual benefit to these groups and to the U.S. industry. During the year, the industry in many other countries has indicated a desire to cooperate similarly with the Soybean Council.

American companies are showing a rapidly growing interest in foreign markets. Many of them, after becoming familiar with marketing opportunities as a result of the promotional work done by the Soybean Council, have arranged for business operations in a number of countries. There is every indication that this trend will continue.

^{2/} Findings published as FAS-M-107, "Analysis of the Fats and Oils Market in Egypt and Syria," January 1961.

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Official Business

EUROPEAN ECONOMIC COMMUNITY

The United States has been negotiating with the European Economic Community, better known as the Common Market (Belgium, Luxembourg, Netherlands, France, Italy, and West Germany) since September 1960 to determine whether the common external duties established by the Community were about equal to the general incidence of duties existing before its formation. As a result of these discussions, there probably will be changes in the Common Market tariff schedule. Of concern is the proposed 10 percent ad valorem duty on crude vegetable oil for edible purposes, and even higher duties on processed materials. The present duty on crude oils in West Germany and the Netherlands, the major outlets for U.S. products, is 5 percent, so that an increase to 10 percent would give crushers and processors in the Common Market an additional advantage. There will be no duties on oilseeds and oilseed meals.

The Common Market has been slow to announce a common agricultural policy for fats and oils. Many of the Market countries' former African colonies are now independent, and new relationships must be established. The Congo is a major exporter of palm oil, and Senegal, Mali, and the Niger are important peanut exporters.

Other factors to be considered in developing common policy are olive oil, butter, and rapeseed.

Olive oil production is concentrated in southern Italy — an area of chronic unemployment and low incomes. Greece, an important olive oil producer, has just signed a draft agreement for membership in the Common Market. Olive oil problems in Greece are similar to those in Italy. Butter production is rising and some countries are beginning to eat more butter and less margarine. Butter problems probably will be settled without discriminating against fats and oils. Rapeseed production is small and constitutes no problem. 3/

3/ See Foreign Agriculture Circular FFO 2-61, January 1961, for a discussion of the status of oilseeds and oilseed products in the Common Market.